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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA
SAN DIEGO DIVISION

**GABRIEL TECHNOLOGIES
CORPORATION and TRACE
TECHNOLOGIES, LLC,**

Plaintiffs,

vs.

**QUALCOMM INCORPORATED,
SNAPTRACK, INC., and NORMAN
KRASNER,**

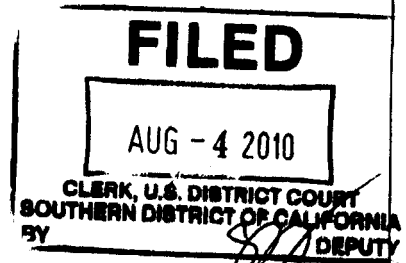
Defendants.

CIVIL ACTION NO. 3:08-cv-01992-MMA-POR

**MEMORANDUM OF POINTS AND
AUTHORITIES IN SUPPORT OF
PLAINTIFFS' OPPOSITION TO
DEFENDANTS' MOTION FOR A BOND
PURSUANT TO C.C.P. § 1030**

Date: September 7, 2010
Time: 2:30 p.m.
Judge: Hon. Michael M. Anello

**CONFIDENTIAL- SUBJECT TO PROTECTIVE ORDER
(FILED UNDER SEAL)**



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1 Plaintiffs Gabriel Technologies and Trace Technologies LLC ("Plaintiffs") submit this
2 Memorandum of Points and Authorities in support of their opposition to Qualcomm Inc.
3 ("Qualcomm"), Snaptrack, Inc. ("SnapTrack"), and Norman Krasner's (collectively
4 "Defendants") Motion for a Bond Pursuant to California Code of Civil Procedure section 1030.

5 INTRODUCTION

6 Defendants' Motion for a Bond Pursuant to C.C.P. section 1030 is a meritless tactical
7 maneuver designed to hinder Plaintiffs' prosecution of this action. The Court should deny it. As
8 a threshold matter, C.C.P. section 1030 is inapplicable because Plaintiffs are California resident
9 corporations with their principal places of business in this state. Furthermore, C.C.P. section
10 1030 does not require a plaintiff to post a bond unless its claims are vexatious and frivolous,
11 which is manifestly not the case here. Finally, Defendants' projected award of costs are based
12 largely on non-taxable items and their claim for attorneys' fees is groundless.

13 FACTUAL BACKGROUND

14 This action is for the unlawful taking of intellectual property concerning a form of Global
15 Positioning System techniques and services now in widespread use in mobile phones and other
16 devices. Defendants Qualcomm, Snaptrack and Krasner, a principal of Snaptrack,
17 misappropriated and patented certain assisted Global Positioning System ("aGPS") and related
18 intellectual property developed by Gabriel's predecessor-in-interest, Locate Technologies
19 ("Locate"), either on its own or in connection with Snaptrack under an agreement that provided
20 that Locate and Snaptrack were to own jointly any intellectual property that resulted from their
21 co-development activities. Defendants surreptitiously sought patent protection on the technology
22 without (i) seeking permission from Locate, (ii) notifying it of the activity, or (iii) providing the
23 appropriate ownership interest. Qualcomm incorporates the intellectual property into its gpsOne
24 technology, which, in turn, Qualcomm integrates into its CDMA-based integrated circuits (or
25 "chipsets").

26 William Clise and Michael Crowson founded Locate in late 1998 and early 1999,
27 formally incorporating the company in April 1999. The objective of Locate was to create a

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1 On April 26, 2010, Plaintiffs moved, *inter alia*, for a modification of the Court's March
2 30, 2010 scheduling order to permit Plaintiffs to seek leave to further amend their complaint. A
3 proposed Motion for Leave to Amend the Complaint, asserting a new claim of fraudulent
4 concealment, was submitted as an attachment. (Dkt. 72.)

5 On May 10, 2010, Plaintiffs served Defendants with written discovery responses. (Pls.'
6 Resps. to Defs.' First Set Of Requests For Produc. of Docs., Williams Decl. Ex. 5; Pls.' Resps. to
7 Defs.' First Set Of Reqs. For Admis., Williams Decl. Ex. 6; Pls.' Resps. And Objections To
8 Defs.' First Set Of Interrogs., Williams Decl. Ex. 7.) On June 22, 2010, in response to
9 Defendants' comments and objections, Plaintiffs revised and supplemented their discovery
10 responses. (Pls.' First Supplemental Resps. and Objections to Defs.' First Set of Interrogs.,
11 Williams Decl. Ex. 8; Letters from G. Williams to J. Kyle dated June 22, 2010, Williams Decl.
12 Ex. 9.)

13 On May 19, 2010, Plaintiffs served Defendants with their First Set of Requests for
14 Production of Documents. (Pls.' First Set Of Reqs. For Produc. Of Docs., Williams Decl., Ex.
15 10.) Defendants replied on June 21, 2010, refusing to comply with any of Plaintiffs' requests.
16 (Def. Qualcomm Inc.'s Objections And Resps. to Pls.' First Set Of Reqs. For Produc., Williams
17 Decls., Ex. 11).

18 On July 2, 2010, Defendants filed a Motion for a Bond Pursuant to C.C.P. § 1030. (Dkt.
19 81.)

20 On July 6, 2010, the Court granted Plaintiffs' Motion of April 26, 2010 insofar as it
21 sought a modification of the Scheduling Order, and docketed Plaintiffs' Motion for Leave to
22 Amend the Complaint. (Dkt. 83.) On July 16, 2010, Defendants filed their opposition to this
23 motion, and Plaintiffs filed their reply on July 23, 2010. (Dkt. 88, 89.)

24 On August 2, 2010, Plaintiffs served revised trade secret designations, which were
25 modified and clarified pursuant to discussions with Defendants. (Revised C.C.P. Section 2019
26 Disclosure, Williams Decl. Ex. 12.)

ARGUMENT

I. C.C.P. § 1030 IS NOT APPLICABLE.

A. Applying C.C.P. § 1030 Is Not Mandatory In A Federal Question Case.

California Code of Procedure Section 1030 does not apply directly to a case, such as this, in which federal jurisdiction is based on a federal question as opposed to diversity of citizenship. *See A. Farber and Partners, Inc. v. Garber*, 417 F. Supp. 2d 1143, 1145 (C.D. Cal. 2006). Federal district courts, however, “have inherent power to require plaintiffs to post security for costs” and may “follow the forum state’s practice,” at least when the plaintiff is a non-resident. *Id.* (quoting *Simulnet E. Assocs. v. Ramada Hotel Operating Co.*, 37 F.3d 573, 574 (9th Cir. 1994)).² In such circumstances, federal courts assess a request for a cost bond as a matter to be decided under the court’s inherent authority, with reference to C.C.P. § 1030 and applicable California case law for guidance. *See id.* at 1145-46 (assuming *arguendo* in federal question case that C.C.P. § 1030 provided “guidance” on cost bond issue and denying bond). The purpose of the California statute is “to prevent out-of-state residents from filing frivolous lawsuits against California residents” and ensure enforcement if an award of costs or attorneys fees is warranted. *Yao v. Super. Ct.*, 104 Cal. App. 4th 327, 331, 127 Cal. Rptr. 2d 912 (Cal. Ct. App. 2002); *see also Plata v. Darbun Enters., Inc.*, No. 09cv44-IEG(CAB), 2009 WL 3153747, at *12 (S.D. Cal. Sept. 23, 2009); *Alshafie v. Lallande*, 89 Cal. Rptr. 3d 788, 794 (Cal. Ct. App. 2009).

Beyond the forum’s practice, federal courts balance several factors in assessing the propriety of a bond, including whether the litigation has “the appearance of vexatiousness” and (i) the probability of plaintiff’s success on the merits, and the background and purpose of the suit; (ii) the reasonable extent of the requested security from the defendant’s perspective; and

2. As explained below, Plaintiffs are California residents both for the purposes of federal diversity jurisdiction and C.C.P. § 1030. Accordingly, the Court should determine whether a cost bond is warranted under its inherent power or under Civ. L.R. 65.1.2(a), which allows a court to require security for cost “where authorized by law and for good cause shown,” and without reference to C.C.P. § 1030. Defendants cannot, and have not even attempted to, justify a bond under this standard.

(iii) the reasonable extent of the requested security from the plaintiff's perspective. *Simulnet E. Assocs. v. Ramada Hotel Operating Co.*, 37 F.3d 573, 575, 576 (9th Cir. 1994) (citing *Aggarwal v. Ponce Sch. of Med.*, 745 F.2d 723, 727-28 (1st Cir. 1984)); *Farber*, 417 F. Supp. 2d at 1146 (citing *Simulnet*, 37 F.3d at 575-76). The relevant inquiry under the first factor is whether the lawsuit is "frivolous or vexatious." *Plata*, 2009 WL 3153757, at *12 (citing *Simulnet*, 37 F.3d at 576).

B. Plaintiffs Are Not "Foreign Corporations" Within the Meaning of C.C.P. § 1030.

C.C.P. § 1030 provides for the possibility of a cost bond only with respect to nonresidents and "foreign corporations." Plaintiffs are California corporations within the meaning of C.C.P. § 1030. Gabriel's board authorized Gabriel and Trace to move their headquarters to California in May 2010. They made that move on July 16, 2010. (Tingo Aff. ¶ 2.) Gabriel's sole corporate officer resides in California. (*Id.* ¶ 3.) Plaintiffs' books and substantially all of their assets are located in California. (*Id.* ¶ 4.) Their records are either currently located in, or in the process of being moved to, California. (*Id.* ¶ 5.) Plaintiffs' principal place of business is thus in California. *Hertz Corp. v. Friend*, 130 S. Ct. 1181, 1192 (2010) (principal place of business "is best read as referring to the place where a corporation's officers direct, control, and coordinate the corporation's activities" and is "normally . . . the place where the corporation maintains its headquarters").

C.C.P. § 1030 does not define "foreign corporation." However, for purposes of diversity jurisdiction, under 28 U.S.C. § 1332(c)(1), a corporation is "a citizen of any State in which it has been incorporated and of the State where it has its principal place of business." *Id.* California courts have similarly held in other, analogous contexts that a company with its principal place of business in California, although incorporated under the law of another state, is not a foreign corporation.³

3. See *Stapler v. El Dora Oil Co.*, 27 Cal. App. 516, 520 (Cal. Ct. App. 1915) ("Since all of the members of the board of directors reside in this state, wherein all its property is situate and

Such a conclusion is consistent with the purpose of C.C.P. § 1030 to ensure an award of costs in favor of a resident defendant can be enforced in the event of a frivolous suit by a non-resident plaintiff — a company with its principal place of business in California will not be beyond the reach of the courts to enforce a cost award. *See Yao*, 104 Cal. App. 4th at 331. Indeed, the primary defendant here, Qualcomm, is also a corporation organized under the laws of Delaware with its principal place of business in California. (*See Defendant's Answer to Fourth Amended Complaint*, Dkt. 54, ¶ 7 (Jan. 21, 2010).) It would be inconsistent with the purposes of C.C.P. § 1030 to allow Qualcomm to avail itself of the statute as a resident defendant based on its principal place of business, yet to deny Plaintiffs resident status.⁴

II. DEFENDANTS CANNOT MEET THE REQUIREMENTS TO OBTAIN A BOND.

A. Plaintiffs' Claims Are Meritorious.

Defendants suggest that the requirement of C.C.P. § 1030 that defendant must show a "reasonable possibility" of obtaining judgment means only that it be conceivable that certain of its defenses might prevail. (*See, e.g., Defs.' Mem. of P. and A.*, Dkt. 81, at 6.) That is not the

all its corporate business, including that of its board of directors, is transacted, the corporation, although organized under the laws of Arizona, must be deemed a *resident of this state* and subject to the jurisdiction of the courts thereof.") (emphasis added); *see also Sharp v. Big Jim Mines*, 103 P.2d 430, 433 (Cal. Ct. App. 1940); *Wait v. Kern River Mining, Milling & Devel. Co.*, 157 Cal. 16, 21 (Cal. 1909); *see also Guzman v. Macy's Retail Holdings, Inc.*, No. 09 Civ. 4472(PGG), 2010 WL 1222044, at *10 (S.D.N.Y. Mar. 29, 2010) ("A corporation's principal place of business, rather than its state of incorporation, determines its residence.") (quoting *McMahan & Co. v. Donaldson, Lufkin & Jenrette Sec. Corp.*, 727 F. Supp. 833, 384 (S.D.N.Y. 1989)); *see also M.J. Merkin Paint Co. v. Riccardi*, 3 A.2d 890, 890-91 (N.J. Ch. 1939) (finding a "foreign corporation" to be a New Jersey resident for purposes of New Jersey's cost bond statute where, among other factors, it had a place of business in New Jersey).

4. The California Corporations Code (like that of New York) defines a "foreign corporation" as a corporation not incorporated in California, but only for the purposes of the Corporations Code itself, not C.C.P. section 1030. *See Cal. Corp. Code* §§ 101, 171, 167. Certain courts in different contexts have treated a corporation incorporated outside California as a foreign corporation based on reasoning and policy considerations not at issue here. *See Prop. Research Fin. Corp. v. Super. Ct.*, 100 Cal. Rptr. 233, 239 (Cal. Ct. App. 1972). Such an interpretation is not consistent with the purposes of C.C.P. section 1030, particularly when that statute is used as guidance to a federal court in a federal question case and in light of 28 U.S.C. § 1332.

1 law. Defendants must present evidence that “substantially refutes” each and every one of
 2 Plaintiffs’ claims.⁵ *Farber*, 417 F. Supp. 2d at 1148 (“[A]t this early stage of the trial
 3 proceedings, the court cannot conclude that . . . defendants have a reasonable possibility of
 4 obtaining a judgment on the merits because defendants have not argued or offered evidence to
 5 substantially refute [plaintiff’s] claims.”) (quoting *Ismart Int’l Ltd. v. I-Docsecure, LLC*, 2005
 6 WL 588607, at *9 (N.D.Cal.)). Merely raising a possible defense to a claim does not satisfy
 7 Defendants’ burden. *See, e.g., Farber*, 417 F. Supp. 2d at 1146-48 (rejecting Defendant’s
 8 argument that it showed reasonable possibility of obtaining judgment based on, among other
 9 things, unclean hands defense and proffered polygraph testimony); *Ismart*, 2005 WL 588607, at
 10 *9 (rejecting defendants’ procedural defenses as a valid basis for a bond and noting that
 11 “reasonable possibility” standard has previously been satisfied by a favorable arbitration award
 12 on its own or coupled with evidence supporting the award); *Plata*, 2009 WL 3153747, at *12.

13 Plaintiffs currently assert several claims — patent inventorship and ownership, breach of
 14 contract claim, and misappropriation of trade secrets claims — and seek to add a fraudulent
 15 concealment claim. Each of these claims is meritorious. Defendants’ arguments to the contrary
 16 do not come close to “substantially refuting” any of the claims, let alone all of them.⁶ Indeed,

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 19 5. As Defendants concede (*see* Defs.’ Mem. of P. and A., Dkt. 81, at 6), the inquiry clearly
 20 relates to all of Plaintiffs’ claims, not just some subset. For if Plaintiffs prevail on any of their
 21 claims, they, not Defendants, would have prevailed for the purposes of Federal Rule of Civil
 Procedure 54(d) and perhaps be entitled to costs.

22 6. The cases on which Defendants rely do not support their motion. These cases confirm
 23 that for a bond to be appropriate, plaintiffs’ claims must be “frivolous.” *Hiraide v. Vast Sys.*
 24 *Tech. Corp.*, No. C-08-04714 RMW, 2009 WL 2390352, at *15 (N.D. Cal. Aug. 3, 2009)
 25 (confirming purpose of C.C.P. § 1030 was “to prevent out-of-state residents from filing frivolous
 26 lawsuits against California residents” and ordering after dismissing on the pleadings all but one
 27 of plaintiff’s several claims); *Kourtis v. Cameron*, 358 F. App’x 863, 866-67 (9th Cir. 2009)
 (unpublished) (affirming an order for bond when a prior action based on substantially identical
 28 claims had been dismissed); *Alshafie v. Lallande*, 89 Cal. Rptr. 3d 788, 791-92, 801 (Cal. Ct.
 App. 2009) (reversing order for bond due to inadequate hearing on indigence of plaintiff
 bringing tortuous series of legal malpractice actions against plaintiff’s three former law firms).

1 Defendants fail even to inform this Court what this case concerns or to address the relevant legal
2 standards.

3 **1. Plaintiffs State Valid Inventorship and Ownership Claims.**

4 Plaintiffs allege that their predecessors-in-interest are the sole or co-inventors of
5 multiple patents claimed by Defendants. Under 35 U.S.C. § 256, an omitted inventor may seek
6 correction of the patent. Plaintiffs' patent ownership claims rest in part on their inventorship
7 claims. Absent an assignment of interest, an inventor of a patent owns the instrument.

8 To establish that a party is an inventor or co-inventor, the party must "demonstrate that
9 he conceived of the inventions." *Shum v. Intel Corp.*, 499 F.3d 1272, 1277 (Fed. Cir. 2007).
10 Conception is the "formation in the mind of the inventor, of a definite and permanent idea of the
11 complete and operative invention, as it is hereafter to be applied in practice." *Ethicon, Inc. v.*
12 *U.S. Surgical Corp.*, 135 F.3d 1456, 1460 (Fed. Cir. 1998) (quotation omitted). To be named a
13 co-inventor, the plaintiff need only contribute to a single claim on the patent, even if the patent
14 includes multiple claims. *Id.*; *see also Tavory v. NTP, Inc.*, 297 Fed. App'x 976, 979 (Fed. Cir.
15 2008) ("[A] co-inventor need not contribute to the conception of every claim of a patent; a single
16 claim is sufficient."). There is "no explicit lower limit on the quantum or quantity of inventive
17 contribution required for a person to qualify as [at least] a joint inventor." *Fina Oil & Chem. Co.*
18 *v. Ewen*, 123 F.3d 1466, 1473 (Fed. Cir. 1997); *see also Institut Pasteur v. Simon*, 384 F. Supp.
19 2d 802, 804 (E.D. Pa. 2005). There is, moreover, no statute of limitations for an inventorship
20 claim. *Stark v. Advanced Magnetics, Inc.*, 29 F.3d 1570, 1573 (Fed. Cir. 1994) ("Section 256
21 does not limit the time during which inventorship can be corrected.") (citation omitted).

22 As Defendants state, a plaintiff must establish an inventorship claim by clear and
23 convincing evidence. In practice, what this requires is that the inventor present evidence beyond
24 his or her word alone. *Linear Tech. Corp. v. Impala Linear Corp.*, 379 F.3d 1311, 1327 (Fed.
25 Cir. 2004) ("the alleged co-inventors [or rightful sole inventor] must prove their contribution to
26 the conception with more than their own testimony concerning the relevant facts"); *see also*
27 *Shum v. Intel Corp.*, No. C-02-03262-DLJ, 2008 WL 4414722, at *10 (N.D. Cal. Sept. 26, 2008).

1 Typically, the most persuasive corroborative evidence is contemporaneous documentation.
2 Testimony by third parties may also be relevant. *See, e.g., Trovan, Ltd. v. Sokymat SA, Irori*, 299
3 F.3d 1292, 1302-03 (Fed. Cir. 2002) ("Reliable evidence of corroboration preferably comes in
4 the form of physical records that were made contemporaneously with the alleged prior invention.
5 Circumstantial evidence about the inventive process may also corroborate.") (internal citations
6 omitted); *Sandt Tech., Ltd. v. Resco Metal & Plastics Corp.*, 264 F.3d 1344, 1351 (Fed. Cir.
7 2001) (oral testimony from third party may constitute corroborating evidence, but such testimony
8 standing alone may be "more suspect").

9 With such evidence, it is difficult to defeat an inventorship claim on summary judgment.
10 As one court explained:

11 [R]esolving summary judgment motions concerning claims of
12 inventorship tends to be a more complex process than many other
13 such motions, as the inquiry is necessarily very fact-intensive. As
14 the Federal Circuit has noted, "[t]he determination of whether a
15 person is a joint inventor is fact specific, and no bright-line
16 standard will suffice in every case." Dueling experts and
17 competing characterizations of alleged inventive contributions
18 often tend to present situations inappropriate for resolution by
19 summary judgment.

20 *Institut Pasteur*, 384 F. Supp. 2d at 804 (E.D. Pa. 2005) (internal citations omitted); *Shum*, 2008
21 WL 4414722, at *10 (finding that "evidentiary mix" of plaintiff's own testimony, lab notebooks,
22 drawings, admissions from the defendant, and other materials provided sufficient corroboration
23 to overcome summary judgment motion); *Memry Corp. v. Ky. Oil Tech. N.V.*, No. C-04-03843
24 RMW, 2007 WL 2746737, at *8 (N.D. Cal. Sept. 20, 2007) (denying summary judgment on
25 trade secret misappropriation claim where claimant presented evidence that trade secret
26 information may have been transmitted to defendant and some evidence that at defendant's
27 patents may have been developed using asserted trade secrets); *Vivus, Inc. v. Kercso*, 977 F.
28 Supp. 1004, 1012-13 (N.D. Cal. 1997) (finding that evidence corroborating assertion of
counterclaimant's prior independent conception of design at issue, while "not overwhelming,"
was "sufficient to raise serious factual questions" precluding summary judgment on inventorship

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1 schema that were conceived and developed in the Locate implementation back in the 1999-2000
2 time frame, prior to the filing of the Qualcomm patent application.

3 Plaintiffs will present clear and convincing evidence that Defendants improperly patented
4 Plaintiffs' sole or the parties' joint intellectual property. To justify a bond, Defendants must
5 demonstrate against the backdrop of the co-development program and the access to Locate's
6 confidential information granted to Defendants that there is no evidence that Plaintiffs'
7 predecessors contributed to a single claim in any of the several patents at issue. Yet, Defendants'
8 arguments consist of nothing more than a recitation of the clear and convincing standard and
9 conclusory assertions that Plaintiffs will not be able to meet that standard.¹⁰ Such an argument
10 falls far short of "substantially refuting" each and every one of Plaintiffs' inventorship claims.
11 *See A. Farber And Partners, Inc. v. Garber*, 417 F. Supp. 2d 1143, 1146-48 (C.D. Cal. 2006);
12 *Ismart Int'l Ltd. v. I-Docsecure, LLC*, No. C-04-03114 RMW, 2005 WL 588607, at *9 (N.D.
13 Cal. Feb. 14, 2005).

14 2. Defendants Breached Their Contractual Arrangements.

15 Plaintiffs' breach of contract claim is straightforward. Under the 1999 Agreement,
16 SnapTrack agreed (i) to treat Locate's confidential information as secret, and (ii) that the parties
17 jointly owned Program Technology and would treat such technology as a trade secret in
18 accordance with the confidentiality provisions of the Agreement unless together they sought to
19 make the necessary intellectual property filings. The parties reaffirmed and incorporated these
20

21 10. Defendants incorrectly contend that Plaintiffs' allegedly inadequate written discovery
22 responses and trade secret identifications demonstrate that Plaintiffs will not be able to prove
23 their inventorship claims. As an initial matter, Plaintiffs have provided more than adequate
24 discovery responses and trade secret designations. In the former, Plaintiffs have, among other
25 things, identified the actual inventors for the disputed patents as well as the claims in the patents
26 to which they contributed. (Williams Decl., Ex. 8, at 2-6.) Any alleged deficiency, moreover,
27 would be a basis for a motion to compel, not a cost bond. Defendants' unsupported contention
28 that the designated trade secrets constitute nothing more than "general concepts" again is not a
basis for a cost bond and rings particularly hollow when those trade secrets were deemed
sufficiently novel and non-obvious to receive patent protection. (C.C.P. Section 2019
Disclosure, Williams Decl., Ex. 12.)

1 provisions into the 2006 Agreement. By patenting or otherwise revealing or relying on Locate's
2 confidential information and/or jointly owned Program Technology, Defendants breached their
3 contractual agreements.

4 Defendants' arguments with respect to Plaintiffs' breach of contract claim are meritless.
5 Defendants first contend that neither the 1999 Agreement nor the parties identified any Program
6 Technology and therefore Defendants could not have violated the agreement. The argument fails
7 for several reasons. The parties explicitly agreed to own jointly "Program Technology," defined
8 as "work carried out by the parties in connection with this Agreement that are identified as
9 Program Technology in the Project Plan." (1999 Agreement, Williams Decl., Ex. 1, §§ 8(b), 1.)
10 The Project Plan describes the "work carried out by the parties in connection with this
11 Agreement" and specifies what is not Program Technology. (*Id.* at § 1.) For example, "The
12 SnapTrack deliverables covered in the Project Plan . . . are not Program Technology as defined
13 in the License Agreement." (*Id.* at 16.) By implication, the technology to be developed that is
14 discussed in the Project Plan and not otherwise exempted is Program Technology.

15 Further, the 1999 Agreement provided that the parties would work together as the
16 program progressed to identify with greater specificity what constituted Program Technology.
17 Plaintiffs allege that when Locate officials asked whether certain advancements and refinements
18 during the co-development program constituted Program Technology, Snaptrack officials falsely
19 informed them that they were covered by SnapTrack's prior patents. (Proposed Fifth Am.
20 Compl., Mem. of P. & A. In Supp. of Pls.' Mot. For Leave to Amend Compl., (Dkt. 84), Ex. A, ¶
21 160.) The reason the parties did not identify Program Technology was the misrepresentations of
22 Snaptrack officials.

23 Moreover, Plaintiffs allege that, as shown above, Defendants misappropriated and used
24 Locate's trade secrets and confidential information. Those claims are unrelated to the Program
25 Technology provisions of the agreements.

26 *Second*, Defendants assert that Plaintiffs waived their breach of contract claim by
27 entering into the 2006 Agreement knowing that the parties had not identified Program
28

1 Technology. This argument suffers from all the flaws of Defendants' initial contention. It rests
 2 on the faulty notion that the parties did not identify any potential Program Technology and
 3 ignores both Snaptrack's misrepresentations to Locate with respect to Program Technology and
 4 Plaintiffs' claims with respect to Locate's confidential information.¹¹

5 **3. Plaintiffs' Misappropriation of Trade Secrets Claim is Timely.**

6 Defendants do not challenge the substance of Plaintiffs' misappropriation of trade secrets
 7 claim. They cannot do so. The California Uniform Trade Secrets Act defines
 8 "misappropriation" as "[d]isclosure or use of a trade secret of another without express or implied
 9 consent." Cal. Civ. Code § 3426.1(b)(2). It is beyond dispute that the patenting of another's
 10 trade secret or of a joint trade secret without the other party's consent constitutes a
 11 misappropriation. *See, e.g., See, e.g., Memry Corp. v. Ky. Oil Tech.*, No. C-04-03843 RMW,
 12 2007 WL 2746737, at *1, *8 (N.D. Cal. Sept. 20, 2007) (denying summary judgment in action
 13 claiming misappropriation of trade secrets based on use of trade secrets in patents); *Morton v.*
 14 *Rank America*, 812 F. Supp. 1062, 1074-75 (C.D. Cal. 1993) (use of jointly owned trade secrets
 15 by defendant without consent of plaintiff would constitute misappropriation). Rather,
 16 Defendants repeat their argument that Plaintiffs' misappropriation claims are barred by the
 17 statute of limitations because Plaintiffs' have allegedly conceded that they knew of Defendants'
 18 misappropriation in 1999. As explained previously, this argument is untenable, resting entirely
 19
 20
 21
 22

23 11. Defendants suggest that Plaintiffs' inventorship, breach of contract and misappropriation
 24 of trade secret claims are coterminous. That is not the case. The claims are related, but they are
 25 distinct. For example, for its inventorship claims, it is not necessary for Gabriel to show that the
 26 invention in question constituted Program Technology to prove that Locate was an inventor. The
 27 invention claim can be based on a Locate trade secret, as many of Plaintiffs' claims do.
 28 Conversely, Defendants' use of Plaintiffs' confidential information or trade secrets in connection
 with a patent application might not rise to the level of a contribution to the conception of the
 invention, but could constitute a breach of contract or misappropriation.

1 on a distortion of Plaintiffs' proposed Fifth Amended Complaint. (See Reply Mem. in Supp. of
2 Mot. for Leave to Amend Compl., Dkt. 89, at 3.)¹²

3 **B. Plaintiffs' Claims Are Not Vexatious or Frivolous.**

4 Because Defendants cannot satisfy either of the two requirements of C.C.P. section 1030
5 — the nonresidency of the Plaintiffs and a showing that substantially refutes all of Plaintiffs'
6 claims — there is no need for the Court to consider the additional factors federal courts rely on in
7 determining whether a cost bond is justified. Those factors, however, also support the denial of
8 Defendants' motion.

9 *First*, Plaintiffs' claims are not vexatious. A plaintiff whose core claims survive a motion
10 to dismiss is, by definition, not vexatious. See *Farber*, 417 F. Supp. 2d at 1147 (because
11 plaintiff's complaint survived motion to dismiss, "it is clear plaintiff has not acted vexatiously in
12 bringing this litigation"); *Plata v. Darbun Enters., Inc.*, No. 09cv44-IEG(CAB), 2009 WL
13 3153747, at *12 (S.D. Cal. Sept. 23, 2009) (relying in part on fact that Plaintiffs' claims had
14 survived a motion to dismiss in denying cost bond). Indeed, under C.C.P. section 391, a
15 "vexatious litigant" is a party who (i) has brought at least five lawsuits in the past seven years
16 that were determined adversely or were unjustifiably permitted to remain pending for at least two
17 years without trial or hearing; (ii) after final determination of an action, repeatedly attempts to
18 relitigate the validity of the determination or the claims or issues of facts of law decided in the
19 final determination; (iii) "repeatedly files unmeritorious motions, pleadings, or other papers,
20 conducts unnecessary discovery, or engages in other tactics that are frivolous or solely intended
21 to cause unnecessary delay"; or (iv) had previously been declared to be a vexatious litigant in
22 another action based on substantially similar facts. *Id.*; see *Andrews v. Guzman*, No. CIV S-04-
23 1107, 2009 WL 604943, at *3 (E.D. Cal. Mar. 9, 2009) (finding plaintiff to be a vexatious
24 litigant under C.C.P. § 391, where he "commenced, prosecuted or maintained at least five actions
25

26 12. For the reasons explained in Plaintiffs' briefing in support of their motion to amend their
27 complaint, Plaintiffs' proposed fraudulent concealment claim is also valid and Defendants'
28 contentions otherwise are groundless.

1 that were determined adversely to plaintiff" including one where the court declared him to be a
2 vexatious litigant). Federal courts apply similar criteria without reference to C.C.P. § 391. *See*
3 *Robinson v. Hubbard*, No. 07-CV-1560, 2007 WL 2815040, at *3-4 (S.D. Cal. Sept. 25, 2007)
4 (ordering plaintiff to show cause why he should not be declared a vexatious litigant, where
5 plaintiff had filed nine lawsuits in two years, some of which asserted the same claims as other
6 lawsuits which were dismissed for failure to state a claim or to prosecute, eight of which were
7 found to be frivolous, noting that plaintiff's litigation history demonstrated abuse of the judicial
8 process). None of the above criteria apply to Plaintiffs.

9 As demonstrated above, Plaintiffs' claims are meritorious. *See Plata*, 2009 WL 3153747,
10 at *12 (denying cost bond despite reasonable possibility defendant would prevail because
11 plaintiffs' claims had survived motion to dismiss and plaintiffs also had a reasonable possibility
12 of prevailing). Plaintiffs' suit is certainly not frivolous, which federal courts interpret to mean
13 those that are patently without merit, make false or grossly exaggerated factual assertions, or
14 contain patently absurd or irrelevant allegations. *See, e.g., Molski v. Evergreen Dynasty Corp.*,
15 500 F.3d 1047, 1060-61 (9th Cir. 2007); *Walker v. Stanton*, No. EDCV 08-24-VAP (OPx), 2008
16 WL 4401388, at *11 (C.D. Cal. Sept. 2, 2008); *Robinson*, 2007 WL 2815040, at *3. Defendants
17 do not and cannot offer any evidence that any of these factors apply to Plaintiffs' claims.

18 Rather than address the merits of Plaintiffs' claims, Defendants make a series of heated
19 allegations about the alleged purpose of the lawsuit and about Plaintiffs' financial condition or
20 unrelated disputes with other parties. In addition to being either false or inflated, these
21 allegations are irrelevant to this motion and this suit generally. The allegations are, moreover,
22 more than a bit ironic given Qualcomm's own checkered history. (*See, e.g., Qualcomm Press*
23 *Release regarding Settlement of Intellectual Property Dispute with Broadcom dated April 26,*
24 *2009, Williams Decl., Ex. 13.*)

25 **C. The Security Requested Is Unreasonable.**

26 The second *Simulnet* factor, "the reasonable extent of the security to be posted" from the
27 defendant's perspective, refers to "defendant's legitimate need for prophylaxis of a bond."
28

1 *Plata*, 2009 WL 3153747, at *12. Gabriel resides in California. If Defendants prevail in this
 2 lawsuit, they need not go out of state to recover any costs that may be awarded to them.

3 The third factor, “the reasonable extent of the security to be posted” from the plaintiff’s
 4 perspective, refers to “plaintiff’s ability to post surety for costs.” *Id.* Gabriel is no longer an
 5 operating company, and a cost bond would interfere with its ability to prosecute this action and
 6 impose a substantial burden on it. *See, e.g., Murphy v. Ginorio*, 989 F.2d 566, 569 (1st Cir.
 7 1993) (holding that the lower court abused its discretion in not considering the plaintiff’s lack of
 8 finances when it granted defendant’s motion for bond); *Aggarwal v. Ponce Sch. of Med.*, 745
 9 F.2d 723, 728-29 (1st Cir. 1984) (same).

10 **III. DEFENDANTS’ BOND REQUEST IS VASTLY INFLATED.**

11 Defendants seek a \$2.9 million bond. That amount exceeds by many multiples the bonds
 12 granted in the cases on which Defendants rely. *See Kourtis v. Cameron*, 358 Fed.App’x 863,
 13 866-67 (9th Cir. 2009) (unpublished) (affirming cost bond, but reducing bond from \$100,000 to
 14 \$50,000 based on plaintiff’s ability to pay); *Simulnet E. Assocs. V. Ramada Hotel Operating Co.*,
 15 37 F.3d 573 (9th Cir. 1994) (reversing order for cost bond of \$500,000); *In re Merrill Lynch*
 16 *Relocation Mgmt., Inc.*, 812 F.2d 1116, 1118, 1124 (9th Cir. 1987) (affirming post-judgment
 17 costs award of \$2,498.52); *Hiraide v. Vast Sys. Tech. Corp.*, No. C-08-04714 RMW, 2009 WL
 18 2390352, at *15 (N.D. Cal. Aug. 3, 2009) (ordering cost bond of \$50,000). The request,
 19 moreover, relies in large part on projected e-discovery costs of \$1.5 million, which clearly
 20 includes non-recoverable attorney time, and a groundless request for \$1 million fees based on the
 21 untenable assertion that this case is vexatious and futile.

22 **A. The Costs Asserted by Qualcomm Are Not Largely Non-Taxable.**

23 Numerous categories of costs asserted by Qualcomm are not covered by 28 U.S.C. §
 24 1920, the Southern District of California Local Rules, or the relevant case law. Defendants may
 25 only secure “an award of costs and attorney’s fees which may be awarded in the action or special
 26 proceeding.” C.C.P. § 1030(a). Fed. R. Civ. P. 54(d) provides that “[u]nless a federal statute,
 27 these rules, or a court order provides otherwise, costs — other than attorney’s fees — should be
 28

1 allowed to the prevailing party.” *Id.* However, courts have discretion under Rule 54(d) to allow
 2 or disallow costs, and may deny costs where an award would be inappropriate or inequitable.
 3 *Champion Produce, Inc. v. Ruby Robinson Co.*, 342 F.3d 1016, 1022 (9th Cir. 2003); *see Nguyen*
 4 *v. Taylor*, No. 01cv0851, 2007 WL 1994054, at *1 (S.D. Cal. Apr. 27, 2007). In particular, this
 5 Court has considered denying costs where “the issues were close and difficult and [] the losing
 6 party litigated in good faith.” *Flores v. Shephard*, No. 04cv2337-IEG(NLS), 2009 WL 587701,
 7 at *1 (S.D. Cal. Mar. 5, 2009).

8 Furthermore, not all expenses are compensable as costs. *Thomas v. Treasury Mgmt.*
 9 *Ass’n*, 158 F.R.D. 364, 372 (D. Md. 1994) (courts are not permitted to reimburse prevailing party
 10 for every expense incurred); *Grider v. Ky. & Ind. Terminal R.R.*, 101 F.R.D. 311, 312 (E.D. Ky.
 11 1984) (“[C]osts almost always amount to less than the successful litigant’s total expenses . . .”).
 12 The types of costs that may be awarded under Rule 54(d) “are limited to those enumerated in 28
 13 U.S.C. § 1920.” *Cargill, Inc. v. Progressive Dairy Solutions, Inc.*, No. CV-F-07-0349, 2008 WL
 14 5135826, at *1 (E.D. Cal. Dec. 8, 2008). Of relevance to the costs asserted by Qualcomm are the
 15 following categories: “Fees for exemplification and the costs of making copies of any materials
 16 where the copies are necessarily obtained for use in the case,” “compensation of interpreters”
 17 and “[f]ees for printed or electronically recorded transcripts necessarily obtained for use in the
 18 case.” 28 U.S.C. §§ 1920(2), (4), (6).

19 At a minimum, the following categories of requested costs are unallowable and/or
 20 inflated. Because it is the burden of the party seeking a cost bond to establish adequately the
 21 amount of its costs and Defendants have failed to do so, each of these categories should be
 22 disallowed in their entirety.

- 23 • \$1.5 million for “Costs of collecting, searching, identifying, managing and producing
 24 electronic documents in response to Gabriel’s discovery demands.”

25 Presumably, Qualcomm intends for this line item to fall under the “fees for
 26 exemplification” category. 28 U.S.C. § 1920(4). However, this item as described clearly entails
 27 intellectual effort beyond mere mechanical processes analogous to copying, and as such falls into

the realm of noncompensable attorney's fees. *See Zuill v. Shanahan*, 80 F.3d 1366, 1371 (9th Cir. 1996) ("Fees for exemplification . . . are permitted only for the physical preparation and duplication of documents, not the intellectual effort involved in their production.") (quotation and citation omitted); *Kellogg Brown & Root Int'l, Inc. v. Altanmia Commercial Mktg. Co. W.L.L.*, No. H-07-2684, 2009 WL 1457632, at *5 (S.D. Tex. May 26, 2009) ("The steps of extracting data from an electronic medium and storing that data for possible use in discovery is more like the work of an attorney or legal assistant in locating and segregating documents that may be responsive to discovery than it is like copying those documents for use in a case."); *Klayman v. Freedom's Watch, Inc.*, No. 07-22433-CIV, 2008 WL 5111293, at *2 (S.D. Fla. Dec. 4, 2008) (costs to search, find and retrieve discoverable electronically stored information would be incurred by lawyers and paralegals in paper context and so are not compensable); *Windy City Innovations, LLC v. America Online, Inc.*, No. 04 C 4240, 2006 WL 2224057, at *3 (N.D. Ill. July 31, 2006) (costs of electronic coding and keyword searching not recoverable, because, in absence of electronic system, work would be performed by an attorney or paralegal).

- Approximately \$98,000 for "Costs incurred with taking oral depositions, including (Plaintiffs name 24 witnesses; we name 19 witnesses; also assume at least 1 technical expert)"

The costs of taking a deposition are not taxable unless "it could be reasonably expected that the deposition would be used for trial preparation, rather than mere discovery." Civ. L.R. 54.1(b)(3)(a). Defendants cannot pretend that depositions of 43 witnesses are reasonably expected to be used for trial preparation, rather than mere discovery. This cost estimate is inflated. Further, Defendants seek expenses for copies of deposition transcripts, but deposition transcripts beyond the original are not recoverable. *Grider*, 101 F.R.D. at 312.

- \$220,800 for "Fees paid to interpreters/translators: salaries, fees, expenses, costs of interpreter; fees for translation of documents received in evidence (92 foreign patents . . .)"

28 U.S.C. Section 1920(6) provides for "compensation of interpreters." *Id.* There is a disagreement among the circuits as to whether this provision is limited to live translation of

1 speech or includes translations of written documents. *See Extra Equipamentos E Exportacao*
 2 *Ltda. v. Case Corp.*, 541 F.3d 719, 727-28 (7th Cir. 2008) (live translation only); *BDT Prods.,*
 3 *Inc. v. Lexmark Int'l, Inc.*, 405 F.3d 415, 419 (6th Cir. 2005) (written documents). Although
 4 some district courts in the Ninth Circuit have allowed for recovery of costs for translation of
 5 written documents in certain circumstances, the Ninth Circuit itself has not ruled on the issue.
 6 *See E. & J. Gallo Winery v. Andina Licores S.A.*, No. CV F 05-0101, 2007 WL 1589546, at *1
 7 (E.D. Cal. June 1, 2007) ("There appears to be no appellate authority from the Ninth Circuit that
 8 directly addresses which interpretation services are compensable and which are not."). In the
 9 absence of controlling authority, this Court should side with the Seventh Circuit, whose
 10 construction of the statute derives from the plain meaning of "interpreter" as "a person who
 11 translates living speech from one language to another," and as distinct from a translator of
 12 documents. *Extra Equipamentos*, 541 F.3d at 727.

13 Further, this cost item is misleading. The foreign patents at issue derive from the English
 14 language patent applications, thus little to no translation will be required.

- 15 • Unspecified portion of \$50,000 for "Costs of photographs"

16 The cost of photographs for evidentiary purposes are not taxable. *See Grider*, 101 F.R.D.
 17 at 312.

18 **C. Qualcomm Has No Basis To Assert That Attorney's Fees Are Recoverable.**

19 Fed. R. Civ. P. 54(d) "embodies the American rule, whereby parties ordinarily cannot
 20 recover attorneys' fees as costs." *Hairline Creations, Inc. v. Kefalas*, 664 F.2d 652, 655-66 (7th
 21 Cir. 1981) (citation omitted). Defendants argue that they are entitled to fees under Cal. Civ.
 22 Code § 3426.4, which allows for the award of fees where a claim of misappropriation made is
 23 made "in bad faith." *Id.* They also argue they are entitled to fees under 28 U.S.C. § 285, which
 24 allows for the award of fees "in exceptional cases" which has been held to refer to "vexatious or
 25 unjustified litigation" among other types of misconduct. *Id.*; *Brooks Furniture Mfg. v. Dutailier*
 26 *Intern., Inc.*, 393 F.3d 1378, 1381 (Fed. Cir. 2005). As established above, Plaintiffs' claims
 27 constitute none of the above.

1 **CONCLUSION**

2 For the foregoing reasons the Court should deny Defendants' Motion for a Bond Pursuant
3 to C.C.P. § 1030, or, in the alternative, should reject the greater part of Defendants' requested
4 amount of security as unwarranted.

5
6 Respectfully submitted,

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